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mentor

exploration and development
company limited



FOR THE YEAR ENDED DECEMBER 31, 1967

annual report

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

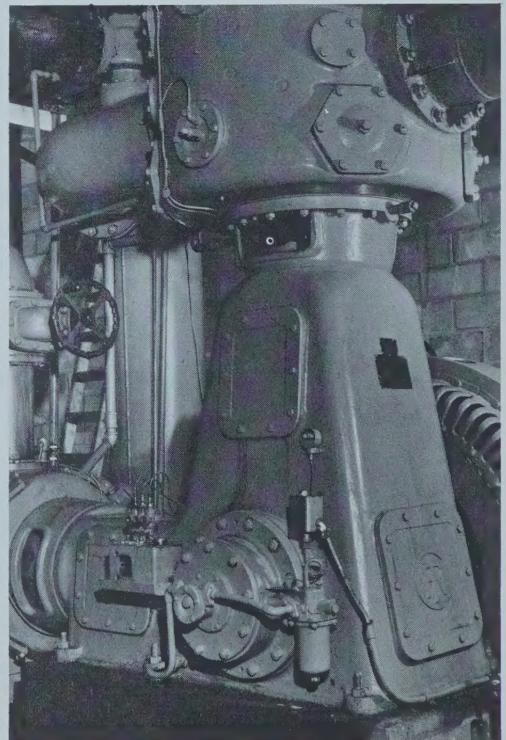
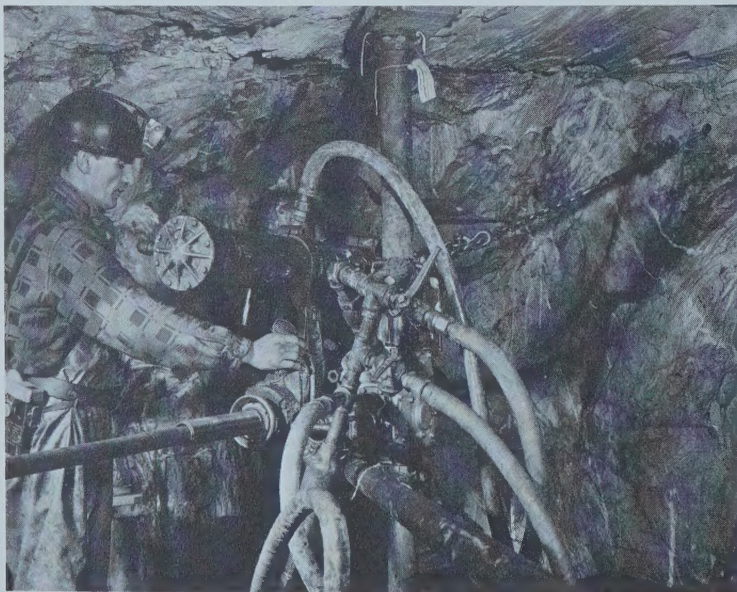
(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 1101, 365 Bay Street, Toronto, Ontario
* Directors	ARCHIE BASEN SAMUEL GELLER WM. L. HOGARTH, JR. PAUL PENNA RUPERT F. RIGHTON
Officers	PAUL PENNA, <i>President</i> JEAN GELLER, <i>Secretary-Treasurer</i> WM. HOGARTH, JR., <i>Assistant Secretary-Treasurer</i>
Consulting Engineer	WALTER F. BROWN, B.Sc., P.Eng.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	THORNE, GUNN, HELLIWELL & CHRISTENSON Chartered Accountants, Toronto, Ontario
Shares Listed	Toronto Stock Exchange
Annual Meeting	May 29, 1968, 12:00 noon (Toronto Time), Saskatchewan Room, Royal York Hotel, Toronto, Ontario

* AS AT JANUARY 31, 1968



Scenes from Joutel area gold property of EAGLE GOLD MINES LIMITED. Above: Surface installation; Lower left: Diamond drilling from the 1050-ft. level station; Lower right: Pump installation on the 750-ft. level.



MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED



DIRECTORS' REPORT

To the Shareholders:

The Directors present the audited financial statements of the company for the year ended December 31, 1967, and also the following general review of activities and principal investments.

Your company continued active in mining exploration during the past year. This included a program of stripping, sampling and reconnaissance prospecting on the leased 30-claim property in the Omineca Area, British Columbia, and, indirectly through its participation in Cochenour Explorations Limited, exploration on a large group of claims covering a greenstone belt in the Red Lake Area of Ontario. Throughout 1967, sixteen separate property submissions were referred to our consultant, Walter F. Brown, B.Sc., P.Eng., for evaluation. None of these submissions were recommended for exploration.

Claims were staked for the company early in 1968 in the Sandy Lake Area north of Red Lake, Ontario, as a gold prospect. These will be examined during the current season. The company's principal interest is its substantial shareholding in Eagle Gold Mines Limited, the latter now sinking a shaft to explore and develop a drill indicated gold orebody in Joutel Township, Quebec, a project involving an ultimate development expenditure in excess of \$3 million.

Leased Property in Omineca Area, B.C.

During the period from July 17th to Septem-

ber 10th, a program consisting of stripping, trenching, sampling and reconnaissance prospecting was carried out on the leased 30-claim property at Lindquist Lake. This program was designed to test the known mineralized showings for tungsten possibilities. The work involved considerable bulldozer trenching, drilling and blasting of outcrops, and also included an examination of the underground workings which were originally opened up and explored for gold and silver.

Generally it was found that the tungsten showings were small occurrences and relatively low grade. The consultant in charge of this program concluded the property had very limited possibilities for the discovery of a commercial tungsten orebody. Accordingly, the lease agreement was terminated on March 21st, 1968.

Cochenour Explorations Limited

Cochenour Explorations Limited is a private company formed to acquire and explore a large group of claims in the Red Lake Area of Ontario, including claims formerly held by Cochenour Willans Gold Mines Limited. This was a joint undertaking by Cochenour Willans, Selco Exploration and others including Mentor, each holding varying degrees of participation. Your company's interest in Cochenour Explorations Limited is 19%. While the exploration program conducted during 1966 and early in 1967 was of considerable magnitude, subsequent activities have been more limited in scope. Nothing of economic significance has been encountered in the work completed to

DIRECTORS' REPORT (Continued)

date, although several interesting target areas remain untested.

Eagle Gold Mines Limited

As previously mentioned, your company's substantial shareholding in Eagle Gold Mines Limited overshadows all other current activities and interests. As a result of a series of purchases, your company acquired a large block of shares in Equity Explorations Limited and, after giving effect to the capital reorganization of Equity Explorations Limited (and change of name to Eagle Gold Mines Limited by supplementary letters patent dated February 8, 1967), plus subsequent purchases, resulted in a holding of 632,996 shares of Eagle Gold Mines Limited. These shares were acquired for a total cost of \$888,542.17, equal to approximately \$1.40 per share.

Subsequent to the date of the attached Balance Sheet, the company has sold 131,300 shares for a total of \$427,254.40, reducing its holdings in Eagle Gold Mines Limited to a current total of 501,696 shares. This transaction enabled the company to discharge its debts as shown in the Balance Sheet and at the time of writing has cash and deposit receipts at credit totalling approximately \$350,000.00. This transaction also has the effect of reducing the average cost of the 501,696 shares to under \$1.00 per share which compares with a quoted market value as of April 18, 1968, of \$3.35 per share, or a total value of approximately \$1.7 million.

Sinking of the three-compartment production size shaft on the gold property of Eagle Gold Mines Limited in Joutel Township, Quebec, commenced during July of 1967, and at the present

time the shaft has progressed to a depth of approximately 1,500 feet below the shaft collar, and 10 stations have been excavated at 150-foot intervals commencing at the 150-foot horizon. It is expected that the current phase of the underground program to complete the sinking and fully equipping the shaft to a depth of 1,850 feet with stations at 150-foot intervals, lip pockets at each station, ore loading pockets, spill pockets and sumps and pumps for handling mine water, will be accomplished about August 31, 1968.

During 1968 to date, diamond drilling has been carried out from the 750-foot and the 1,050-foot level stations. The purpose of this drilling was to locate more accurately the gold-bearing mineralized zone outlined by surface drilling to aid in planning underground development work.

In addition to the main gold-bearing zone on which the decision to sink the shaft and proceed with underground exploration and development was based, earlier surface diamond drilling also indicated a zone of copper-gold mineralization in the southeast corner of the property. This zone was intersected by three surface diamond drill holes at various horizons between about 560 feet and 1,200 feet below surface, showing values varying up to 11.55% copper, together with appreciable gold content. Drill Hole No. J-5 intersected this copper-gold zone at an approximate depth of 1,200 feet below surface, with 43.6 feet averaging 4.56% copper plus another 7.8 foot intersection averaging 0.53 ounces gold per ton.

In conjunction with the present shaft sinking program, it is planned that this copper-gold zone be initially explored on the 1,200-foot level by crosscutting from the shaft a distance of about 200 feet to the main gold zone, and then drifting south-

east along the gold zone for a distance of approximately 1,100 feet. At this latter juncture the indicated copper-gold zone will be explored by lateral work on the level, as well as by diamond drilling on, above and below the level. It is to be noted that the copper-gold zone is an additional exploration target to the major objective of the current program in the exploration and development of the main gold-bearing deposit.

Information regarding the copper-gold zone is pertinent to the planning of the contemplated production mill both in regard to the optimum mining and milling rate and also the type of mill required. If the indicated copper-gold zone proves mineable, an entirely different mill design will be required, incorporating a circuit for the recovery of copper as well as gold.

Surface diamond drill indicated reserves to the tested depth of 1,500 feet are estimated at 1,600,000 tons of ore averaging 0.41 ounces of gold per ton using a 15% dilution factor. The indicated orebody is open for extension below the 1,500-foot horizon. It is planned to test the probable extension of the zone below this horizon by diamond drilling from either the 1,350-foot or 1,500-foot levels after they have been sufficiently opened up to provide a suitable location for this purpose.

Eagle Gold Mines Limited has adequate funds on hand to carry this current program of shaft sinking and underground development, the estimated total cost of which is \$3,190,000, to completion. It is to be noted that the premise upon which this program was projected assumed profitable mining operations based on the official or fixed price of US\$35.00 per ounce for gold in dealings between governments. Under the recently

introduced 'two-tier' market for gold, the prospects for an appreciable premium above the \$35.00 price appear definitely favourable.

General

In addition to the foregoing exploration activities, your company continues to retain its group of 18 claims in the Blind River-Elliot Lake Uranium Area of Ontario. This property is adjacent to a large group of claims held by Kerr-McGee Corporation, part of an assemblage of some 900 claims held by the latter company which is currently the subject of negotiations between Kerr-McGee and a consortium of 15 Japanese companies for a joint substantial exploration program.

Quite apart from the 501,696 shares of Eagle Gold Mines Limited, your company also holds 985,582 shares of Sudbury Contact Mines Limited, 4,000 shares of Leitch Gold Mines Limited, 62,000 shares of Agnico Mines Limited and 88,000 shares of Martin McNeely Mines Limited.

The company proposes to continue in its efforts in the utilization of its technical and financial resources both in mineral exploration and investments. The effective planning and direction of the company's exploration activities by our consulting engineer, Mr. Walter F. Brown, is gratefully acknowledged.

On behalf of the Board of Directors,

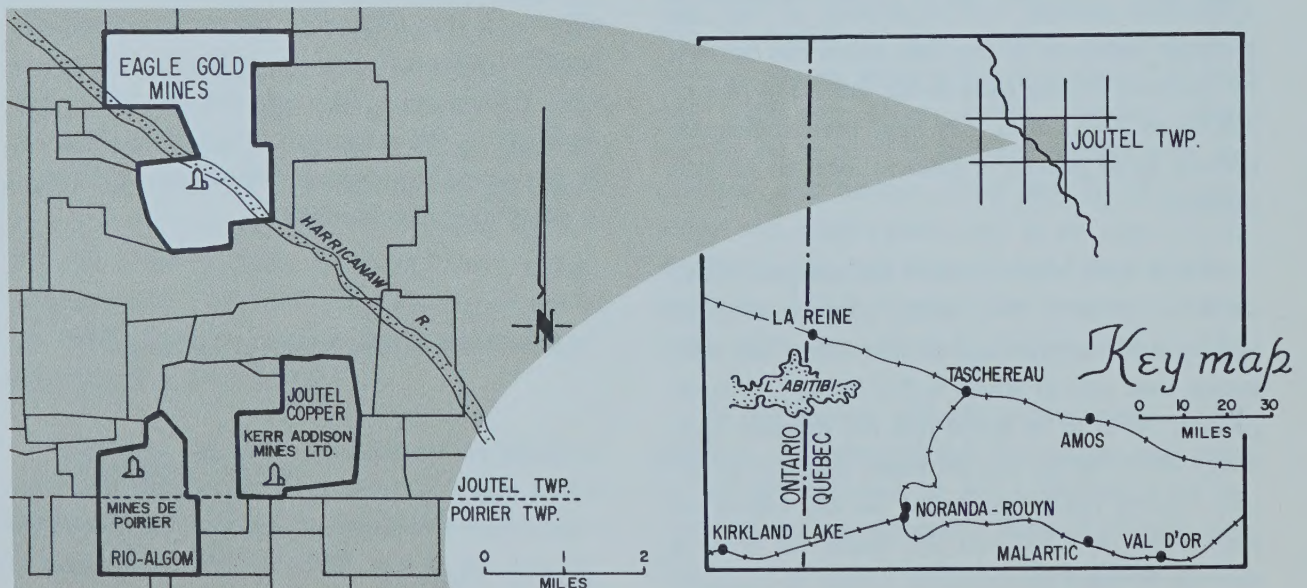
"PAUL PENNA,"

President.

April 22, 1968.



Aerial view of surface installation of EAGLE GOLD MINES LIMITED, Joutel Township, Quebec.





AUDITORS' REPORT
TO THE SHAREHOLDERS

We have examined the balance sheet of Mentor Exploration and Development Co. Limited as at December 31, 1967 and the statements of income, deficit, deferred exploration expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Toronto, Canada,
February 20, 1968.

BALANCE SHEET — *December 31, 1967*

(with comparative figures at December 31, 1966)

ASSETS

	1967	1966
CURRENT ASSETS		
Cash	\$ 12,805	
Marketable securities, at lower of cost and market (market value 1967, \$195,090; 1966, \$220,644)	149,670	\$ 220,644
	<u>162,475</u>	<u>220,644</u>
INVESTMENTS		
Shares of Eagle Gold Mines Limited formerly Equity Explorations Limited, at cost		
Escrowed	92,114	92,114
Free (market value 1967, \$1,295,400; 1966, \$674,100) ...	796,428	790,188
	<u>888,542</u>	<u>882,302</u>
Shares of affiliated company, at cost (market value 1967, \$197,116; 1966, \$231,612)	111,199	111,199
Shares of Cochenour Explorations Limited, at cost	20,000	20,000
Investment in and advances to other companies		
Unlisted and escrowed securities at cost or less	13,712	24,546
Advances	1,380	3,717
	<u>15,092</u>	<u>28,263</u>
	<u>1,034,833</u>	<u>1,041,764</u>
MINING CLAIMS AND PROPERTIES, at cost	130,058	130,058
DEFERRED EXPLORATION EXPENDITURES	494,375	448,854
FIXED ASSETS		
Office furniture, at cost	3,051	3,051
Less accumulated depreciation	915	610
	<u>2,136</u>	<u>2,441</u>
	<u>\$1,823,877</u>	<u>\$1,843,761</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

(Incorporated under the laws of Ontario)

LIABILITIES

	1967	1966
CURRENT LIABILITIES		
Bank advances against which certain securities have been pledged		\$ 52,053
Accounts payable and accrued liabilities	\$ 5,256	13,792
Payable to broker on purchase of securities, secured by pledge of certain securities	110,824	57,313
	<u>116,080</u>	<u>123,158</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 5,000,000 shares, par value 50¢ per share		
Issued — 3,455,746 shares	1,727,873	1,727,873
Less discount	170,000	170,000
	<u>1,557,873</u>	<u>1,557,873</u>
CONTRIBUTED SURPLUS	245,093	245,093
	<u>1,802,966</u>	<u>1,802,966</u>
DEFICIT	95,169	82,363
	<u>1,707,797</u>	<u>1,720,603</u>

Approved on behalf of the Board

PAUL PENNA, Director.

ARCHIE BASEN, Director.

<u>\$1,823,877</u>	<u>\$1,843,761</u>
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MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

STATEMENT OF INCOME

Year Ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
REVENUE		
Interest and dividends	\$ 1,597	\$ 9,877
EXPENSES		
Administration, office and accounting	9,000	10,890
Legal and audit	2,422	8,263
Shareholders' information	2,088	1,590
Transfer agent fees	689	738
Consulting fees, general	2,000	3,881
Directors' fees	100	500
Interest and bank charges	9,088	8,178
Depreciation, office furniture	305	305
Miscellaneous, including stock exchange filing fees	1,198	2,304
	<u>26,890</u>	<u>36,649</u>
Loss before undernoted item	25,293	26,772
Profit (loss) on sale and revaluation of marketable securities and investments (net)	26,188	(9,292)
Net income (loss) for the year	<u>\$ 895</u>	<u>\$ (36,064)</u>

STATEMENT OF DEFICIT

Year Ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Deficit at beginning of year	\$ 82,363	\$ 46,253
Claims abandoned and written off during the year		46
Investment in and advances to other companies written off during the year ...	13,701	
	<u>96,064</u>	<u>46,299</u>
Net income (loss) for the year	895	(36,064)
Deficit at end of year	<u>\$ 95,169</u>	<u>\$ 82,363</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

Year Ended December 31, 1967
(with comparative figures for 1966)

EXPENDITURES DURING YEAR	1967	1966
Gillies Limit, Cobalt		
Engineering fees	\$ 100	\$ 146
General	280	
Adjustment of option price		(1,924)
	<u>380</u>	<u>(1,778)</u>
Sycee Group, Cobalt		
Assays		645
Drilling		17,195
Engineering fees		2,754
Supplies		1,821
General	395	59
	<u>395</u>	<u>22,474</u>
Less equipment sold		525
	<u>395</u>	<u>21,949</u>
Lindquist Lake, B.C.		
General surface exploration	34,029	
General prospecting and exploration work in the Cobalt area	<u>785</u>	<u>14,244</u>
Advances re drilling and exploration programme		
Red Lake area	9,500	75,000
Other properties		
General	432	398
Total expenditures during year	<u>45,521</u>	<u>109,813</u>
Deferred exploration expenditures at beginning of year	<u>448,854</u>	<u>339,041</u>
Deferred exploration expenditures at end of year	<u>\$ 494,375</u>	<u>\$ 448,854</u>

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

	1967	1966
Chandler Group	\$ 171	\$ 43
Cobalt Property	291,000	290,605
Gillies Limit	8,050	7,670
Halet Group	1,416	1,230
Hill Group	60,180	60,062
Lindquist Lake, B.C.	34,029	
Cobalt area	15,029	14,244
Red Lake area	84,500	75,000
	<u>\$ 494,375</u>	<u>\$ 448,854</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1967
(with comparative figures for 1966)

SOURCE OF FUNDS	1967	1966
Operations		
Net income for the year	\$ 895	
Add depreciation which does not involve a current outlay of funds	305	
	<u>1,200</u>	
Sale of silver bullion		\$ 469,403
	<u>1,200</u>	<u>469,403</u>
APPLICATION OF FUNDS		
Operations		
Loss for the year		36,064
Less depreciation which does not involve a current outlay of funds		305
		<u>35,759</u>
Exploration expenditures	45,521	109,813
Purchase of mining claims		2,000
Investment in and advances to other companies	530	365
Purchase of shares of Cochenour Explorations Limited		20,000
Purchase of shares of Eagle Gold Mines Limited	6,240	882,302
	<u>52,291</u>	<u>1,050,239</u>
Decrease in working capital	51,091	580,836
Working capital at beginning of year	97,486	678,322
Working capital at end of year	<u>\$ 46,395</u>	<u>\$ 97,486</u>



year, Eagle Gold Mines Limited has received in excess of \$1 million in new financing for this program.

Your company also holds a 19% interest in Cochenour Explorations Limited, a private company 51% controlled by Cochenour Wil-lans Gold Mines Limited. Exploration is continuing on claims held in the Red Lake Area of Ontario, as well as on a base metals prospect in Saskatchewan also held by Coche-nour Explorations Limited.

In respect to your company's leased 30-claim property in the Omineca Area, British Columbia, cleaning out of the access road was commenced recently and a program of exploration consisting of stripping off the known mineralized showings including a tungsten vein, is scheduled for the current season. It is planned to sample this tungsten vein and if warranted, a program of follow-up diamond drilling will be undertaken providing weather conditions permit an extension of the work season to cover this phase.

It is noted with interest that Stanrock Uranium Mines Limited has recently initiated a program of exploratory diamond drilling on ground in the Elliot Lake Area in the general vicinity of your company's 18 claim property in Townships 144 and 143. Negotiations are still in progress between Kerr-McGee Corpo-ration of Oklahoma City and Japanese inter-ests for a planned joint exploration of claims held by Kerr-McGee in the Elliot Lake Area. The Mentor claim-group is adjacent to one of the latter's claim blocks.

On behalf of the Board of Directors,

"PAUL PENNA"
President

August 15, 1967

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MENTOR
EXPLORATION AND DEVELOPMENT
CO. LIMITED

STATEMENT OF INCOME

For the Six Months Ended June 30, 1967

(With Comparative Figures For the Six Months Ended
June 30, 1966)

	1967	1966
Revenue		
Interest and dividends	\$ 1,099	\$ 6,095
Profit (loss) on sale of market- able securities	4,348	(506)
	<u>\$ 5,447</u>	<u>\$ 5,589</u>
Expenses		
Administration, office and ac- counting	\$ 4,500	\$ 5,100
Legal and audit	72	3,745
Shareholders' information	1,533	1,471
Transfer agents' fees	60	—
Consulting fees, general	751	—
Directors' fees	100	250
Stock exchange filing fees ..	—	286
Interest and bank charges ...	4,493	943
Depreciation, office furniture .	153	153
Miscellaneous	560	1,112
	<u>\$ 12,222</u>	<u>\$ 13,060</u>
NET LOSS FOR PERIOD ..	<u>\$ 6,775</u>	<u>\$ 7,471</u>

Feb

MENTOR
EXPLORATION AND DEVELOPMENT
CO. LIMITED



SEMI-ANNUAL REPORT
TO
SHAREHOLDERS

SIX MONTH PERIOD
ENDED JUNE 30, 1967

EXECUTIVE AND HEAD OFFICE
Suite 1101 - 365 Bay Street
Toronto, Ontario

MENTOR
EXPLORATION AND DEVELOPMENT
CO. LIMITED

To the Shareholders:

The Board of Directors is pleased to present the attached comparative financial statement of the company for the six months ended June 30, 1967.

Your company continues active in the examination of various mining property submissions.

One of the major points of current interest is the company's substantial shareholding (in excess of 600,000 shares) in Eagle Gold Mines Limited which is presently sinking a shaft on its gold property in Joutel Township, Quebec. At August 2nd, the first station was cut at a depth of 150 feet and good progress is being made in the sinking of the shaft to an ultimate depth of around 1,800 feet. The purpose of the program is to enable the commencement of underground work to explore and fully develop the surface drill indicated reserves estimated at 1,600,000 tons of ore of an average grade of 0.41 ounce of gold per ton calculated to the 1,500 foot horizon.

It is expected that shaft sinking will be sufficiently advanced by late September or early October to establish a drill station at the 750 foot horizon, at which time an underground program of diamond drilling will get under way, the purpose of which is to more accurately locate the orebody for the planning of underground development.

The estimated cost of the foregoing program, including underground development work on three levels, is between \$1,500,000 and \$2,000,000. Since the beginning of the

MENTOR
EXPLORATION AND DEVELOPMENT
CO. LIMITED

**STATEMENT OF MINING CLAIMS AND PROPERTIES
AND
DEFERRED EXPLORATION EXPENDITURES
For the Six Months Ended June 30, 1967**
(With Comparative Figures For the Six Months Ended
June 30, 1966)

	1967	1966
Cost of mining claims and properties at beginning of period . . .	\$ 130,058	\$ 128,104
Deferred exploration expenditures at beginning of year . . .	\$ 448,854	\$ 339,041
Expenditures During Period Sycee Group Cobalt		
Drilling	—	\$ 13,041
Engineering fees	—	2,233
Assays	—	369
	<u>—</u>	<u>\$ 15,643</u>
Other Properties		
General	\$ 652	\$ 1,631
Advances re Drilling and Exploration Program		
Red Lake Area	\$ 9,500	\$ 75,000
TOTAL EXPENDITURES DURING PERIOD	<u>\$ 10,152</u>	<u>\$ 92,274</u>
Deferred exploration expenditures at end of period	\$ 459,006	\$ 431,315
Mining claims and properties and deferred exploration expenditures at end of period . .	<u>\$ 589,064</u>	<u>\$ 559,419</u>

MENTOR
EXPLORATION AND DEVELOPMENT
CO. LIMITED

**STATEMENT OF SOURCE AND APPLICATION
OF FUNDS
For the Six Months Ended June 30, 1967**
(With Comparative Figures For the Six Months Ended
June 30, 1966)

	1967	1966
FUNDS APPLIED		
To Operations		
Net Loss for Period	\$ 6,775	\$ 7,471
Less: Depreciation	<u>153</u>	<u>153</u>
	\$ 6,622	\$ 7,318
Exploration expenditures	10,152	92,274
Investment in and advances to other companies	165	165
Purchase of shares of Cochenour Explorations Limited	—	20,000
Purchase of shares of Eagle Gold Mines Limited (formerly Equity Explorations Limited)	6,105	—
	<u>\$ 23,044</u>	<u>\$ 119,757</u>
FUNDS MADE AVAILABLE		
Sale of Silver Bullion	\$ —	\$ 139,117
Decrease (Increase) in Working Capital	\$ 23,044	\$(19,360)
Working capital at beginning of period	97,485	678,322
Working capital at end of period	<u>\$ 74,441</u>	<u>\$ 697,682</u>
Current Assets	\$ 222,240	\$ 758,315
Current Liabilities	147,799	60,633
	<u>\$ 74,441</u>	<u>\$ 697,682</u>